under the test of reasonableness. For this purpose, the following persons are considered "immediate relatives": husband and wife; natural parent, child and sibling; adopted child and adoptive parent; stepparent, stepchild, stepbrother, and stepsister; father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, and sister-in-law; grandparent and grandchild.

The maximum salary allowed for owners, including owner administrators shall be computed at 150% of the average salary paid to non-owner administrators for the previous calendar year for each classification of facilities. For example: The average salary of non-owner administrators for calendar year 1992 for each classification of facilities would be multiplied by one hundred and fifty percent (150%) to determine the maximum allowable owner administrator salary for calendar year 1993. Limits are published each year in the Medicaid Bulletin. The maximum compensation is considered to include forty or more work hours per week. The maximum will be decreased ratably for owners average time worked which is less than forty hours per week. Owners are allowed to receive compensation from more than one facility. Total hours

worked per week at all owned facilities can not exceed sixty hours for each individual to be considered allowable. This limitation applies for salaries that are paid by the facility and/or by the home office.

14. Personal Hygiene Items. The cost of routine personal hygiene items and services as required to meet the needs of residents, including, but not limited to, hair hygiene supplies, comb, brush, bath soap, disinfecting soaps or specialized cleansing agents when indicated to treat special skin problems or to fight infection, razor, shaving cream, toothbrush, toothpaste, denture adhesive, denture cleaner, dental floss, moisturizing lotion, tissues, cotton balls, cotton swabs, deodorant, incontinence care and supplies, sanitary napkins and related supplies, towels, washcloths, hospital gowns, hair and nail hygiene services, bathing, over-the-counter drugs that are not covered by the Mississippi Medicaid drug program, and basic personal laundry. Disposable and reusable diapers should be included in allowable costs if it is the facility's preference to use these items or if they are ordered by a resident's physician for medical reasons. If the facility chooses to use other incontinence supplies, such as blue pads, and the resident requests disposable or reusable diapers, the resident may be charged for these items. Basic hair cuts and shampoos must be provided by the facility at no additional cost to the resident. Basic haircuts and shampoos may be done by facility staff or a licensed barber or beautician. If the facility elects to use a licensed barber or beautician, the resident may not be charged a fee for the service. Barber and beauty services requested by the resident that are in addition to basic haircuts and shampoos may be billed to the residents.

15. Salaries and Fringe Benefits. Allowable costs include payments for salaries and fringe benefits for those employees who provide services in the normal conduct of operations related to patient care. These employees include, but are not limited to, registered nurses, licensed practical nurses, nurses aides, other salaried direct care staff, director of nursing, dietary employees, housekeeping employees, maintenance staff, laundry employees, activities staff, pharmacy employees, social workers, medical records staff, non-owner administrator, non-owner assistant administrator, accountants and bookkeepers and other clerical and secretarial staff. Fringe benefits include:

A. Payroll taxes and insurance. This includes Federal Insurance Contributions Act (FICA), Social Security, unemployment compensation insurance and worker's compensation insurance.

B. Employee benefits. This includes employer paid health, life, accident and disability insurance for employees; uniform allowances; meals provided to

employees as part of their employment; contributions to employee pension plans; and deferred compensation. The allowable portion of deferred compensation is limited to the dollar amount that an employer contributes during a cost reporting period. The deferred compensation expense must represent a clearly enumerated liability of the employer to individual employees.

16. Start-Up Costs. In the period prior to admission of patients, certain costs are incurred. The costs incurred during this time of preparation are referred to as start-up costs. Since these costs are related to patient care services rendered after the time of preparation, they are subject to the reasonableness test and must be capitalized as deferred charges and amortized over a sixty (60) month period beginning with the month in which the first patient is admitted to the facility.

Start up costs include, for example, administrative and nursing salaries, utilities, taxes, insurance, mortgage and other interest, employee training costs, repairs and

maintenance, housekeeping, and any other allowable costs incident to the start-up period. However, any costs that are properly identifiable as organization costs, or which may be capitalized as construction costs, must be appropriately classified as such and excluded from start-up costs.

Where a provider prepares all portions of its facility for patient care services at the same time and has capitalized start-up costs, the start-up costs must be amortized ratably over a period of sixty (60) consecutive months beginning with the month in which the first patient is admitted to the facility. Where a provider prepares portions of its facility for patient care services on a piecemeal basis, start-up costs must be capitalized and amortized separately for the portions of the provider's facility that are prepared for patient care services during different periods of time.

17. Supplies and Materials. This includes, but is not limited to, medical supplies, legend drugs that are not covered by the Mississippi Medicaid drug program, office, dietary, housekeeping, and laundry supplies; food and dietary

supplements; materials and supplies for the operation, maintenance and repair of buildings, grounds and equipment; bank service charges other than insufficient check charges; linens and laundry alternatives; and postage. Medical supplies necessary for the provision of care in order to attain or maintain the highest practicable physical, mental, and psychosocial well-being of each resident, as determined by resident assessments and individual plans of care are allowable costs. Any supplies or equipment ordered by a resident's attending physician must be provided by the facility and will be an allowable cost as a supply expense or, in the case of equipment in excess of $500, as described in Paragraph 7 of this section.

18. Therapy Expenses. Costs attributable to the administering of therapy services should be included in allowable costs for PRTF providers and for ICF-MR providers. Therapy expenses for Small Nursing Facilities and Large Nursing Facilities will be reimbursed on a fee for service basis.

19. Travel. Travel expenses incurred for facility business that is related to patient care are allowable costs. Travel must be documented as to the person traveling, dates of the trip, destination, purpose of the trip, expense description, and the cost. Travel incurred by employees not related to the owner for "in-town travel" (travel within the town of the facility) does not need to be itemized if the expenditure is less than $50.00.

20. Utilities. This includes electricity, natural gas, fuel oil, water, waste water, garbage collection, hazardous waste collection, telephone and communications and cable television charges.

B. Non-Allowable Costs

Certain expenses are considered non-allowable for Medicaid purposes because they are not normally incurred in providing patient care. These non-allowable costs include, but are not limited to, the following types of expenses.

1. Advertising Expense - Non-Allowable. Costs of fund-raising, including advertising, promotional, or publicity costs incurred for such a purpose, are not allowable.

Costs of advertising of a general nature designed to invite physicians to utilize a provider's facilities in their capacity as independent practitioners are not allowable.

Costs of advertising incurred in connection with the issuance of a provider's own stock, or the sale of stock held by the provider in another corporation, are considered reductions in the proceeds from the sale and, therefore, are not allowable.

Costs of advertising to the general public which seeks to increase patient utilization of the provider's facilities are not allowable. Situations may occur where advertising which appears to be in the nature of the provider's public relations activity is, in fact, an effort to attract more patients. An analysis by the Division of Medicaid or its fiscal agent of the advertising copy and its distribution may then be necessary to determine the specific objective.

2. Bad Debts. Bad debts are not an allowable cost for Medicaid reimbursement purposes.

3. Barber and Beauty Expense. The cost of a barber and beauty shop located in the facility must be excluded from allowable costs if the residents are charged for these services. Costs to exclude include salaries and fringe benefits of barber and beauty shop staff, utilities, supplies and capital costs related to the square footage used for this purpose. If the facility does not submit a cost finding with the cost report, the revenue for barber and beauty services will be deducted from allowable costs. The cost of barber and beauty services provided to residents for which no charge is made should be included in care related costs in the allowable cost section of the cost report.

4. Contributions. Contributions are not an allowable cost. This includes political contributions and donations to religious, charitable, and civic organizations.

5. Income Taxes - State and Federal. State and federal income taxes paid are not allowable costs for Medicaid reimbursement purposes.

6. Life Insurance - Officers, Owners and Key Employees. In general, the cost of life insurance on the officer(s), owner(s), key employee(s) where the provider is a direct or indirect beneficiary are not allowable costs. A provider is a direct beneficiary where, upon the death of the insured individual, the insurance proceeds are payable directly to the provider. A provider is an indirect beneficiary when another party receives the proceeds of a policy through an assignment by the provider to the party or other legal mechanism but the provider benefits from the payment of the proceeds to the third party.

An exception to these requirements is permitted where (1) a provider as a requirement of a lending institution must purchase insurance on the life of an officer(s), owner(s), or key employee(s) to guarantee the outstanding loan balance, (2) the lending institution must be designated as the beneficiary of the insurance policy, and (3) upon the death of the insured, the proceeds will be used to pay off the balance of the loan. The insurance premiums allowable are limited to premiums